

AUSTRALIAN WATER

ASSOCIATION

National Water Grid Fund 2026 Review

Australian Water Association (AWA) Submission

30 September 2026

To the National Water Grid,

AWA is pleased to provide our submission to strategic review of the National Water Grid Fund. AWA welcomes the opportunity to discuss this submission further.

Yours sincerely,



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Executive summary

This review occurs at a time when the water sector is confronting increasing pressures from climate variability, population growth, ageing infrastructure, workforce shortages and rising costs of service delivery, particularly in regional, remote and First Nations communities. Addressing these challenges requires a long-term, strategic approach to investment that builds not only infrastructure, but the capability needed to operate and maintain it over its full lifecycle. The Australian Water Association (AWA) welcomes the opportunity to contribute and shape the fund to address critical gaps within the water sector. Our key recommendations are centred around:

1) Long-term funding certainty is essential to build sector resilience

One of the NWGF's greatest strengths is its capacity to provide long-term investment horizons. This is a unique role that cannot be readily replicated through short-term grant programs. Transparent, multi-year investment commitments allow utilities, communities, training providers, contractors and suppliers to invest with confidence. Funding certainty supports workforce development, strengthens supply-chain resilience, improves project delivery capability and enables strategic planning.

2) Investment in operational capability alongside capital infrastructure to develop genuinely fit-for-purpose solutions

Infrastructure alone does not create water security, particularly in regional, remote and rural locations which require solutions that must be suited to the local context in order to be impactful. Long-term outcomes depend on skilled operators, effective asset management, strong governance arrangements, planning capability and resilient service delivery models.

3) Investment should be prioritised using a risk-based framework

Funding should be directed towards projects that deliver the greatest reduction in public health, water security and service delivery risks. At a minimum, no Australian should be exposed to unsafe drinking water. Current assessment frameworks can favour proponents with greater resources to develop business cases rather than communities facing the greatest need. Future investment decisions should therefore place greater weight on drinking water quality risks, public health outcomes, service reliability, climate resilience and community vulnerability.

This submission has been structured to directly answer the questions requested by the National Water Grid Fund, as part of the Department of Climate Change, Energy, Environment and Water (DCCEEW).

NWGF Review Questions

Commonwealth role, value proposition and national interest

From your perspective, what is the unique role or value proposition of the National Water Grid Fund's (NWGF) within Australia's broader water infrastructure landscape? Are there aspects of this role that could be provided equally well through other funding, policy or delivery mechanisms (4000-characters)?

Basic cost-recovery processes do not sufficiently cover the costs of delivering safe, secure and resilient water services to regional, rural and remote Australian communities (AWA, 2026). In NSW alone there is a \$5bn backlog in capital grant funding, calling for all levels of government to invest in essential water and sewerage infrastructure in regional NSW (NSW Water Directorate, 2026). Whilst tangentially relevant funding, policy and delivery mechanisms do exist (Productivity Commission, 2026), there is a role for the NWGF to address service inequity issues in regional and remote communities.

The National Water Grid Fund has the unique opportunity to supply national, long-term funding to communities that need it the most. Through well planned funding design, the NWGF can:

- 1) Provide investment certainty to allow industry to commit to building operational capacity, enabling investment in operational capacity alongside capital grant funding
- 2) Ensure funds are allocated directly to communities at the highest level of risk, particularly health risks related to poor or substandard water service quality.

Community Service Obligations (CSOs) represent an alternative delivery mechanism to fund water and wastewater services in regional economies and can provide regional communities with a reliable funding pattern. AWA members highlight the work conducted by the [NSW PEC during its review of alternative funding for LWU's](#) as a significant effort to address the systemic water inequity experienced by regional communities, particularly through building the evidence base that quantifies service inequities.

However, the design of CSOs must carefully consider the governance and service delivery context of a community. AWA draws on examples from South Australia, where some geographically remote communities are serviced by a large utility (SA Water) and can therefore utilise a greater organisational capability. Conversely, some communities located closer to urban centres remain serviced by small local water utilities and may experience greater financial, technical and operational constraints. Funding frameworks should therefore recognise differences in service delivery models and organisational capacity, not simply location.

Similarly, national significance should not be equated with project scale. While nationally consistent expectations for basic water service outcomes should be maintained, investment and value-for-money assessments should be proportionate to context. Remote and First Peoples community infrastructure should not be disadvantaged because small populations, remoteness and higher delivery costs produce less favourable conventional economic metrics. Instead, investment decisions should focus on the significance, additionality and public value of the outcomes being delivered, rather than the size of the asset itself.

Does the NWGF currently have a sufficiently clear and defensible role within the broader Commonwealth funding landscape? In your view, what threshold of national interest, additionality, public value or structural service constraint should be met before Commonwealth capital investment is justified, and how should the boundary be drawn between NWGF funding and other Commonwealth policy, reform, planning, assurance or service-delivery mechanisms (4000-characters)?

Yes. The National Water Grid Fund's greatest value lies not simply in funding infrastructure, but in providing the long-term investment certainty required to build and maintain the capability needed to deliver safe, secure and resilient water services. Sustainable water planning requires more than capital works; it requires skilled operators, sound asset management, strong governance and resilient supply chains. The NWGF has a unique opportunity to support these outcomes through transparent, long-term funding pipelines and multi-year investment commitments. Such certainty would allow utilities, communities and industry to plan with confidence, invest in workforce and supply-chain capability, and deliver lasting water security outcomes. Transparent, long-term funding pathways will ensure:

- **Investment in capacity as well as capital:** Infrastructure investment alone will not deliver better outcomes unless utilities and delivery partners have the capability required to plan, deliver and operate new assets. Members called for the necessity of improved sector capabilities, particularly within strategic planning, project delivery, operational readiness and asset management.
- **Supply chain readiness:** Long-term investment pipelines and transparent infrastructure can support supply chain readiness by providing suppliers, contractors and technology providers with the confidence required to invest in capability, adopt new technologies and maintain delivery capability. Ensuring the supply chain can deliver critical infrastructure is paramount to ensuring Australia's ongoing water security.

Furthermore, any project that works to ensure regional, rural and remote communities have equitable access to safe, secure and sustainable water that is fit for purpose is justified. This includes, but is not limited to:

- Investing in capital works and the necessary operational capacity to ensure regional and remote communities can have access to safe and secure water supplies.
- Improving climate resilience by investing in climate resilient infrastructure (stormwater harvesting, desalination, water recycling).
- Keeping water in the landscape through implementing integrated water cycle management schemes (that will often have co-benefits including, but not limited to urban cooling, ecosystem restoration, and improved capacity to deliver water for cultural purposes).
- Improving water efficiency to keep demand as low as possible.

Portfolio management, pipeline discipline and local visibility

How are local, regional, remote and First Nations water infrastructure proposals currently considered within jurisdictional investment processes? What practical changes could improve their identification and assessment while maintaining jurisdictional responsibility for

funding and prioritisation decisions? What are the main barriers to local or community-scale proposals being identified, developed and considered (4000-characters)

The current design of fundings programs lead to some key implications and barriers that can prevent funding from going where it is needed the most (see Box 1). Primarily, funding programs tend to favour larger utilities and councils with the technical, administrative and financial resources to identify opportunities, develop business cases and prepare competitive funding applications. As a result, access to funding can be influenced as much by organisational capacity as by community need. Small, remote and First Peoples communities often face significant barriers to developing proposals, securing co-contributions and assessing whether infrastructure solutions will be viable and sustainable over their full lifecycle.

Key barriers to local or community-scale proposals being identified include:

- The necessity of relying on state government sponsorship before projects can be considered for Commonwealth funding.
- Limited technical, engineering and business case capability within smaller councils, utilities and remote communities.
- Competition between local and regional projects for a limited number of funding opportunities within jurisdictions.
- A strong focus on business case development and planning studies, with insufficient funding progressing to project implementation and ongoing service delivery.
- Limited transparency regarding project assessment criteria, prioritisation processes and funding decisions.
- Funding frameworks that often place greater emphasis on project scale and economic returns than on public health, service reliability and community need.

Box 1 – Key barriers to local or community-scale proposals

While maintaining state and territory responsibility for prioritisation decisions, several practical reforms could improve the identification and assessment of local, regional, remote and First Peoples projects:

- Implement a risk-based funding framework that prioritises projects according to public health, drinking water safety, service reliability and climate resilience risks, rather than the capacity of proponents to prepare funding applications.
- Create pathways for local governments, water utilities and First Peoples organisations to directly submit project concepts into national assessment processes. Models such as the Roads to Recovery program demonstrate how direct engagement with the Commonwealth can be accommodated while preserving state oversight and coordination.
- Improve transparency by publicly reporting areas with significant service, infrastructure and funding gaps, helping governments proactively identify communities experiencing the greatest levels of water insecurity and infrastructure risk.

- Invest in shared services, regional capability hubs and technical support programs that assist smaller providers to identify needs, develop projects and manage infrastructure over the long term.

Ultimately, project identification is rarely the primary challenge. Many communities understand their water security risks and infrastructure needs; the greater challenge is accessing the funding, technical support and delivery capability required to convert identified needs into implemented projects and sustained service outcomes.

Value for money and assessment frameworks

Where a water infrastructure proposal is justified primarily by drinking water quality, public health, minimum service or risk-reduction benefits, what forms of evidence should be considered sufficient and proportionate for Commonwealth investment assessment, particularly where benefits are difficult to monetise through conventional benefit-cost analysis?

Exceedance of Drinking Water Safety Standards as a Proportionate Evidence Base

Where proposals are primarily intended to address drinking water quality, public health or minimum service obligations, exceedance of Australian Drinking Water Guidelines (ADWG) limits should be considered sufficient evidence of need, even where benefits are difficult to monetise through conventional benefit-cost analysis.

Fisher et al. 2024 propose that water safety risks can be assessed by measuring the extent to which monitored water quality parameters exceed ADWG thresholds, with health risk increasing in proportion to the magnitude and frequency of exceedance. Rather than relying on monetised economic benefits, consider the resulting reduction in overall health risk achieved by a project instead. Investment assessment should consider indicators such as the frequency and severity of ADWG exceedances, and the presence of microbial contaminants such as *E. coli*. This approach provides a transparent, evidence-based method for prioritising investments that deliver public health protection and safe drinking water outcomes, particularly in regional, remote and First Peoples communities where the primary benefits relate to risk reduction rather than economic productivity.

Importantly, identifying drinking water safety risks is often not the primary barrier. In many remote communities, water quality issues are already well understood, monitored and costed, yet remain unresolved because of funding, governance and implementation barriers. Stewart and Rose (2024) highlight the case of Alpururulam, where residents have lived with unsafe fluoride levels in drinking water for more than a decade. The technical solutions, costs and required infrastructure upgrades have been identified and advocated for by the community and supporting organisations; however, securing the necessary investment has remained the central challenge. This demonstrates that Commonwealth assessment processes should recognise documented exceedances of drinking water standards as a sufficient trigger for investment consideration, rather than placing additional emphasis on demonstrating economic returns where the primary objective is protecting public health and achieving minimum service standards.

Future pathways, financing and institutional options

What changes, if any, would improve the NWGF's ability to deliver its intended objectives over the next 10 years?

The NWGF should become more explicitly outcomes-led. Investment decisions should begin with the water security, public health, resilience, environmental, cultural or regional development outcome sought, then compare the interventions capable of achieving it. Depending on the context, the best response may be demand management, network efficiency, monitoring, managed aquifer recharge, recycling or other alternative supplies, as well as conventional infrastructure. This approach would make the intended outcome, rather than a proposed asset, the starting point for investment.

The most important reform is a shift from short-term infrastructure funding towards early, sustained and long-term investment in water security. The NWGF should provide the funding certainty needed for every part of the supply chain to invest in the infrastructure, workforce, systems and capability required to ensure all Australians can access safe, secure and sustainable water services, including during drought and increasingly frequent climate-related hazards.

Member feedback consistently highlighted that the sector's greatest challenge is not simply securing capital funding, but rather ensuring there is regulatory certainty, workforce and project delivery capability, and supply chain resilience to deliver capital infrastructure. Without investment in these enabling conditions, infrastructure funding alone will not deliver the outcomes communities and economies rely upon. A large component of this includes investment in the evidence and capability required to make good infrastructure decisions. The NWGF's ability to invest across science, business case development and construction is important and should be retained and strengthened. In regional and remote Australia, the binding constraint can be inadequate monitoring, resource assessment, planning capability or project development rather than a lack of construction funding. Strategic investment upstream in data, science, planning and business-case capability can materially improve subsequent capital investment and reduce the risk of poorly targeted infrastructure.

The NWGF should therefore expand its focus beyond capital delivery to support:

- Workforce development and operator capability.
- Regional hubs and shared-service models that build technical and operational capacity.
- Long-term planning, asset management and organisational capability.
- Supply chain resilience and market capacity.
- Community engagement and First Peoples participation to support self-determination and locally appropriate solutions.

Future funding arrangements should also adopt a stronger risk-based approach that prioritises projects according to public health, drinking water safety, service reliability, climate resilience and community need. No Australian should be exposed to unsafe drinking water or unacceptable levels of water service risk because of where they live or the capacity of their service provider to prepare a funding application.

However, the pathway to achieving those outcomes must recognise the diversity of Australia's communities and operating environments. Regional and remote water service providers face unique challenges including geographic isolation, small customer bases, workforce shortages, energy constraints and limited access to specialist capability.

Therefore, policy, regulatory and governance settings must ensure that infrastructure and service delivery is designed for local conditions, and additional resource allocation is provided when regional constraints limit the capacity of regions to provide secure, resilient and sustainable water services.

Member feedback emphasised that national consistency should focus on service outcomes, while allowing flexibility in how those outcomes are achieved locally.

Specifically, resources must be allocated to:

- Ensure First Peoples communities have genuine face to face engagement to enable self-determination.
- Invest in local capability, training and community-led engagement alongside infrastructure delivery.
- Establish nationally consistent Basic Levels of Service that are tiered according to community size, remoteness and operating conditions.
- Support fit-for-purpose and appropriate technologies that reflect local capability and constraints, as well as whole-of-life costs.
- Update performance frameworks to recognise regional complexity and service delivery challenges.
- Support collaborative service delivery arrangements and shared service models that reduce duplication and strengthen regional capability.

How should the Australian Government prioritise investment across large nationally significant projects, local community infrastructure and First Nations water infrastructure to achieve the greatest overall benefit?

Investment prioritisation should be guided by a risk-based framework that directs funding to projects delivering the greatest reduction in public health, water security and service delivery risk. At a minimum, no Australian should be exposed to unsafe drinking water. Where water supplies do not meet relevant jurisdictional drinking water standards, addressing those risks should take precedence over investments that primarily deliver productivity, growth or amenity benefits.

Technical evidence and approaches have already been developed for a national framework that considers health risks based on exceedances of Australian Drinking Water Guideline (ADWG) limits, recognising that risk increases as the magnitude and frequency of exceedance increases (Fisher et al., 2024). Applying such frameworks nationally would enable governments to compare investments across a range of scales and geographies including large nationally significant projects, local community infrastructure and First Peoples' water infrastructure, using a common metric: reduction in public health risk.

However, achieving the greatest overall benefit requires recognising that national significance should not be determined by project scale alone. A major water supply augmentation project may deliver substantial economic benefits, while a small community water treatment upgrade may remove a significant public health risk affecting an entire population. Both can be nationally significant outcomes. Investment decisions should therefore consider the significance, additionality and urgency of the outcomes being delivered rather than simply the size or value of the asset.

Priority should also be given to investments that address entrenched service inequities, particularly in regional, remote and First Peoples communities where infrastructure deficits, workforce constraints and limited organisational capacity can compound water security risks. In these circumstances, investment should incorporate funding for operational capability, workforce development and long-term asset management alongside capital delivery to ensure benefits are sustained over time.

Ultimately, the greatest overall benefit will be achieved through a balanced portfolio approach: first addressing unacceptable public health and service risks, then investing in projects that improve long-term climate resilience, economic productivity and regional development. This ensures that all Australians have access to safe and reliable water services while continuing to support nationally significant infrastructure that strengthens Australia's future water security.

Additional information, evidence or commentary relevant to the review

Please provide any additional information, evidence, examples or commentary that you consider relevant to the review and that has not been captured elsewhere in this response.

If you have supporting material or supplementary information that cannot be accommodated within this form, please provide it separately via email to nwq@dcceew.gov.au

Member feedback highlighted the need for value-for-money assessments that recognise whole-of-system and whole-of-life benefits. Innovative and distributed approaches, such as managed aquifer recharge (MAR), groundwater banking, water recycling and managed aquifer recharge, can deliver significant benefits through reduced evaporation losses, deferred infrastructure expansion, drought resilience, environmental outcomes and fit-for-purpose use of alternative water sources. Box 2 explores specific NWGF amendments that relate to managed aquifer recharge (MAR), given its potential to store water with minimal evaporation losses.

The NWGF Investment Framework should require water banking and other distributed, climate-resilient options to be assessed alongside conventional supply and storage infrastructure where relevant. Value assessments of these processes need to recognise whole-of-system implications, such as avoided evaporation and conveyance losses, deferred infrastructure investment, or drought resilience. For or innovative solutions; local and regional solutions can be inhibited when they do not neatly align with pre-determined state priorities.

Box 2 – An overview of details and barriers that may be encountered when implementing Managed Aquifer Recharge (MAR) solutions

Assessment frameworks should ensure these approaches are considered alongside conventional water infrastructure solutions and are not disadvantaged by traditional business-case methodologies. Furthermore, projects must be designed to suit local conditions, particularly for regional, remote and rural communities. Our members emphasise that for regional areas, less technical solutions that are complemented with funding to train a local workforce to operate are more effective than highly technical solutions.

The review should also recognise that Australia's greatest water infrastructure challenges are often not capital constraints alone. In many regional, remote and First Peoples communities, the key constraint is a lack of operational capability, workforce capacity, planning resources and long-term delivery support. Sustainable water outcomes require investment across the full-service lifecycle, including planning, project development, operations, maintenance, asset management and workforce development.

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